

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice PF-171

For: State and County Offices

Producer Notification of FY 2002 Production Flexibility Contract (PFC) Provisions

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

The Agricultural, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000, provides producers the option to receive PFC payments for FY 2002, as either:

- two 50 percent payments
- one 100 percent payment.

Producers who designate shares for FY 2002 and comply with all other eligibility requirements, including CCC-502 and AD-1026 requirements:

- will receive PFC payments no later than September 30, 2002
- may request to receive two 50 percent payments or one 100 percent payment.

County Release No. 469 includes the necessary software to process FY 2002 PFC payments, however, payments may not be issued until FY 2002 payment rates are announced and downloaded. After the payment rates are announced, the rates will be included in a future PF notice.

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Disposal Date

February 1, 2002

Distribution

State Offices; State Offices relay to County Offices

10-15-01

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1 Overview (Continued)

B

Purpose

This notice provides:

- authorization to approve FY 2002 PFC's, according to 1-PF, **after**:
 - successfully completing FY 2002 rollover activities
 - processing CCC-505's effective October 1, 2001, and/or November 1, 2001, as applicable
 - processing any requested reconstitutions for the farm
 - query instructions for preparing producer notification letters
 - instructions that shall be followed to minimize the number of misaction/misinformation cases associated with PFC's.
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Special Instructions

State Offices shall carefully monitor each Service Center through DD, to ensure that provisions of this notice are completed timely and accurately.

Note: Signatures on PFC's should be timely filed and succession-in-interest problems should be minimized when instructions in this notice are carefully followed by producers and Service Centers.

2 Producer Notification Letters, Fact Sheets, and Payment Requests

A

Queries and Shell Documents

Queries and shell documents will be included with County Release No. 471, scheduled to arrive in County Offices in late October 2001. These queries shall be used to create FY 2002 producer notification letters (Exhibit 1) on or before November 30, 2001.

Note: To avoid unnecessary confusion, County Offices may wish to process known reconstitutions for FY 2002 before running queries to generate notification letters. In any case, the notification letters shall be mailed by November 30, 2001, and the timing of this notification process shall **not** affect the final date to enroll farms resulting from a reconstitution, which is 30 calendar days from the date of notification (FSA-476) that the reconstitution has been completed.

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2 Producer Notification Letters, Fact Sheets, and Payment Requests (Continued)

B

Processing Queries

To facilitate the mailing and filing of producer notification letters, the letters may be printed by either of the following:

- ZIP code
- farm number.

Each procedure, either “PFCLTR02” or “PFCLT02A”, must be run separately and cannot be run simultaneously, because they share common work files.

Process the letters for each county in the system according to the following table.

Step	Action	Result
1	On Menu FAX 250, ENTER “3” or “4”, “Application Processing”.	Menu FAX07001 will be displayed.
2	On Menu FAX 07001, Enter “9”, “Common Provisions”.	Menu MA0000 will be displayed.
3	To process the letters by: <ul style="list-style-type: none">• ZIP code, on the command line:<ul style="list-style-type: none">• ENTER “PFCLTR02,QRPRADJ1”• PRESS “Enter”• farm number, on the command line<ul style="list-style-type: none">• ENTER “PFCLT02A,QRPRADJ1”• PRESS “Enter”.	A query list will be generated. The last page of the query list contains the “Total” number of letters that will be generated.
4	Enter the desired printer ID and PRESS “Enter”.	Notification letters will be generated.

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2 Producer Notification Letters, Fact Sheets, and Payment Requests (Continued)

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Fact Sheets, Payment Requests, and Q&A's

The queries will not generate PFC Payment Request Sheets (Exhibit 2), Frequently Asked Questions for PFC's (Exhibit 3), or the Program Information Fact Sheet (Exhibit 4). These exhibits were distributed by e-mail to State Office PFC Specialists.

Note: State Office PFC Specialists who **did not** receive the exhibits through email shall contact Phil Brockman at 202-690-8034 or by e-mail at **phil_brockman@wdc.usda.gov**, to verify their e-mail address.

D

Mailing Information

County Offices shall:

- send system-generated notification letters (Exhibit 1) with locally reproduced Information Fact Sheets (Exhibit 4), Frequently Asked Questions (Exhibit 3) and, as applicable, PFC payment request sheet (Exhibit 2), as soon as possible, but **no later than November 30, 2001**

Note: The notification letters, fact sheets, and Q&A's shall be sent to all producers on FSN's enrolled in PFC. Do **not** send **payment request sheets** for farms that are to be reconstituted or with undesignated shares.

- attach a copy of the letter, fact sheet, payment request sheet, and Q&A's to the query printout, and file in the 2002 Program Year folder as verification that the documents were mailed.

Note: Send only 1 information fact sheet and 1 payment request sheet to each producer or owner, regardless of whether the producer or owner receives multiple notification letters.

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3 Processing Reconstitutions and CCC-505's

A FY 2002 Reconstitutions

County Offices shall:

- not mail producer notification letters or enclosures to producers and owners on farms for which an FY 2002 reconstitution has been processed, but the farm is pending enrollment into PFC during the 30 calendar day period

Note: The query process will not print notification letters for farms that are pending enrollment into PFC.

- process FY 2002 reconstitutions as soon as possible after:
 - installing County Release No. 469
 - successfully completing FY 2002 rollover activities.

Note: When reconstitutions are updated, County Offices are instructed to mail FSA-476 to each owner and producer on the resulting farm or farms according to 2-CM. As resulting farms are **timely** enrolled into PFC, County Offices shall provide owners and producers with the information contained in Exhibits 2, 3, and 4 of this notice.

B Processing CCC-505's

CCC-505's effective October 1, 2001, as a result of the continuous CRP signup, if applicable, shall be processed and applicable PFC acreage reductions completed **before** running the notification queries, because the producer notification letters include the PFC acreage, by crop, for FSN.

Note: County Offices that wait until November to run the notification letter queries must also ensure that any CCC-505's effective November 1, 2001, are processed before preparing the notification letters.

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4 County Office Action

A Review and Notification

County Offices shall:

- carefully review FY 2002 program requirements, and information contained in Exhibits 3 and 4 of this notice, then contact the State Office through DD with any questions about PFC's
 - follow instructions provided in paragraphs 2 and 3 to ensure timely and accurate producer notification of payment options
 - send the producer notification letters, with the information contained in Exhibits 2, 3, and 4, **no later than November 30, 2001**.
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B CCC-478 Processing and Payments

County Offices shall:

- follow 1-PF, Part 7 to approve CCC-478's and update producer payment selection after all necessary signatures have been obtained
- not approve CCC-478's based on operator or tenant cash rent certification statements unless the following apply:
 - producer is requesting payment to be issued **after** June 30, 2002
 - farm was cash leased by the producer in FY 2001, **and** the producer was designated to receive payment on CCC-478 in FY 2001
- issue FY 2002 PFC payments to eligible producers who have requested payment, according to 2-PF, provided all other eligibility requirements are met.

Note: Payments may not be issued until FY 2002 payment rates are announced and downloaded.

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4 County Office Action (Continued)

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**Publicity and
Producer
Support**

County Offices shall:

- publicize CCC-478, CCC-502, and AD-1026 requirements **throughout** FY, including, but not limited to:
 - signature requirements following farm reconstitutions
 - the August 1, 2002, deadline for properly designating payment shares and filing supporting documentation, such as CCC-502, as necessary
 - limitations on fruit and vegetable plantings
 - carefully monitor signature deadlines for reconstituted farms, designating payment shares, and filing supporting documentation
 - process “Producer Payment Selection Reports” according to 1-PF, paragraph 683, as often as necessary, to ensure that payments are issued timely and according to producer requests
 - take advantage of all available opportunities to remind producers of deadlines and requirements.
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Example of Producer Notification Letter

**UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY
(Print on County Office Letterhead)**

October 26, 2001

State/County Code 38-069
Farm Number 1475

James L. Farmer
111 Country Lane
Anywhere, USA 12345-6789

Dear Mr. Farmer:

You are listed as either an Owner or Producer on a Production Flexibility Contract (Form CCC-478) for the farm number shown above. For fiscal year 2002, the contract shows the following crops, producers, and producer payment shares:

Crop	Producer	FY 2002 Payment Share
Wheat	James L. Farmer	1.0000

Important: All payment shares must be designated on the PFC, and **all** necessary signatures must be obtained on the PFC and received in the county FSA office, by **August 1, 2002**.

Once designated, any changes to the farming operation, including, but not limited to, payment shares and change of operators, must be reported to FSA, and applicable forms completed, by August 1, 2002. Failure to report and complete changes by August 1, 2002, may result in **all** producers on the farm being ineligible for payments.

The PFC may not be approved for payment if any shares are undesignated.

The contract shows the following crops and shares are "UNDESIGNATED".

Note: The PFC payment shares, as indicated above, relate to the total PFC acreage on the farm for the crops indicated. Please carefully review the enclosures for additional information on payment shares and other PFC requirements.

The PFC acreage and payment yield data for the farm are provided below for informational purposes:

Crop	PFC Acres	Payment Yield
Wheat	120.0	42

Sincerely,

/s/

COUNTY EXECUTIVE DIRECTOR
BROWN COUNTY FSA OFFICE

Enclosure(s)

Producer Name, Farm Number 1475

PFC Payment Request Sheet

**UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY
(County Office address and telephone number)**

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000, gives producers the option to receive Fiscal Year (FY) 2002 Production Flexibility Contract (PFC) payments as two 50 percent payments or a 100 percent payment.

Instructions:

If you have signed the PFC to receive a share of the FY 2002 PFC payments, and wish to receive two 50 percent payments or a 100 percent payment prior to August 1, 2002, complete the information below and return it to this office at the above address.

Note: Your entire FY 2002 PFC payment will be issued in August or September, if a request for an earlier payment is not submitted, provided all other eligibility requirements have been met.

Important: Do not request payment on a farm if your interest in the farm has changed since filing the PFC. Changes in your farming operation must be timely reported. Misrepresenting your interest on a farm may result in the termination of your interest in the PFC's on all farms. The deadline to sign or revise a PFC for FY 2002 is August 1, 2002.

I receive a payment share on the Farm Number(s) indicated below, and request my 50 percent payments or 100 percent payment for fiscal year 2002 as follows:

50 Percent Payments**Farm Number(s)**

50 percent in: _____
Month

50 percent in: _____
Month

100 Percent Payment**Farm Number(s)**

100 percent in: _____
Month

Signature of Producer

Date

Frequently Asked Questions for PFC's

Is the owner's signature required on PFC for land that is cash rented?

Proof that the farm is cash rented must be provided. For a cash-rented farm, the tenant may receive payment before July 1, 2002, if 1 of the following apply:

- the owner signs for a zero share on PFC for FY 2002
- a copy of a cash-rent lease (or other document signed by the owner) is submitted, which includes the 2002 crop year. A letter from the owner is satisfactory.

Note: A cash-rent self-certification statement signed by the tenant may be accepted instead of the owner's signature, provided the farm was cash leased by the producer in the previous FY and the producer was designated to receive payment on PFC for that same year. In this event, however, PFC shall not be approved, and payments shall not be issued until **after** June 30, 2002.

Can a producer get a payment if all producers sharing in the PFC payment have not signed PFC?

The general rule is that all producers must sign PFC. However, there is an exception that allows payment if **all owners** have signed PFC, **all** payment shares have been designated, the shares are not in dispute, and the producers have displayed an effort to obtain the missing signatures. Otherwise, payment cannot be issued for a crop until everyone sharing in the payment has signed PFC. Provided that required signatures have been obtained on PFC, each producer on the farm may elect to receive payments at different times during FY.

If a tenant leases a farm for 2002 and receives a PFC payment (either 50 or 100 percent) in November 2001, then, because of personal circumstances, turns the farm back over to the owner in March 2002, is the tenant required to refund the payment?

In this case, a succession-in-interest of PFC acreage occurred because there was a change in interest in the PFC acreage for the crop year. The tenant (predecessor) is required to refund the PFC payment unless a producer succeeds to the predecessor's interest in PFC by signing a revised CCC-478 on or before August 1, 2002.

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Frequently Asked Questions for PFC's (Continued)

Who is eligible to receive PFC payments?

All producers who share in the risk of producing crops grown on **contract** acreage, or who would share if crops were planted, must share in PFC. Individuals or entities with no risk in crops grown on contract acreage, including but not limited to, owners who have leased the contract acreage for cash, cannot receive a share of the PFC payment. Producers who only have an interest in noncontract acreage cannot receive a share of the PFC payment.

If I make a change in my farming operation, but fail to notify FSA by August 1, 2002, what are the consequences?

Changes must be reported and applicable forms filed by August 1, 2002. Any unreported change that makes PFC incorrect will result in **all** producers on the applicable farm or farms being ineligible for PFC benefits.

Program Information Fact Sheet

**FY 2002 AMTA PROGRAM INFORMATION
(Program Information Fact Sheet)**Sharing in PFC Payments:

All producers on PFC acreage must have a designated payment share on PFC greater than zero. A producer on PFC acreage is an owner, operator, landlord, tenant, or sharecropper who shares in the risk of producing a crop on PFC acreage, or would have shared had a crop been produced. A landowner or landlord is not a producer on land cash-rented to another and, therefore, may not share in PFC payments for the cash rented land. Producers who only have an interest in noncontract acreage may not share in the PFC payment.

Commodities Grown Under Commercial Contract on PFC Acreage:

In certain cases when crops are grown under commercial contract, the grower has little or no risk in the production of the crop and is actually an independent contractor or custom farmer for the company. If you enter into a commercial contract for crops that will be grown on PFC acreage, be aware that you may not meet the requirements to be considered a producer on acreage covered by the contract. Failure to report changes to your operation and revise PFC, as necessary, by August 1, 2002, may result in no benefits to any producers on the entire farm.

Deadline to Designate Payment Shares and Sign PFC:

Acceptable PFC payment shares for a farm must be designated on PFC for FY 2002 and **all** producers and owners on the farm must meet PFC signature requirements, on or before August 1, 2002. If the PFC signature requirements are not met for the **farm**, **no** producers on the farm may receive PFC payments for the farm for that FY. The FSA County Committee (COC) will ensure that payment shares are not in violation of the landlord/tenant provisions. If you are not in agreement on payment shares with other producers on a farm, it is recommended that you discuss payment share provisions with FSA personnel. In any event, it remains necessary for all producers on the farm to sign PFC by August 1, 2002.

Share Disputes:

Federal Regulations at 7 CFR Part 1412.303 address the sharing of contract payments. In cases where farm producers cannot agree on payment shares, COC must determine whether the dispute is valid. Producers with valid share disputes will receive the PFC payment at a later date if all persons eligible to receive a share of the contract payment have executed a contract not later than August 1 of the applicable FY and subsequently agree to the division of contract payment. However, the statutory authority to issue PFC payments for FY's 1996 through 2002 will be rescinded at the end of FY 2002, or September 30, 2002. Accordingly, producers with share disputes must settle their disputes and agree to payment shares according to 7 CFR Part 1412.303 on or before August 1, 2002, to be eligible for PFC payments.

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Program Information Fact Sheet (Continued)

**FY 2002 AMTA PROGRAM INFORMATION
(Program Information Fact Sheet Continued)****Requirement to Timely Report Payment Share Changes:**

Any changes to the farming operation that may affect your eligibility to earn payments must be reported to FSA on or before August 1, 2002, even if you have already received PFC payments for the FY. When changes occur that require PFC revision, all producers must sign a revised PFC by August 1, 2002. Failure to report changes and timely meet signature requirements may result in **no** producers on the farm earning PFC payments.

Important: Discussing changes with FSA personnel or reporting crop shares when certifying planted acreage does **not** meet the requirement to sign a PFC which reflects the change. It is the producer's responsibility to ensure that PFC is revised to reflect the change and timely signed.

Payment Options

Producers have the option to receive FY 2002 PFC payments as two 50 percent payments or a 100 percent payment. Producers who wish to receive a payment before August 2002, must submit a payment request to the County Office. Producers who designate shares but who do not return a completed payment request will receive their entire FY 2002 payment after August 1, 2002, and not later than September 30, 2002, if all other eligibility requirements are met. Producers are encouraged to verify whether they have met all payment eligibility requirements, based on their current farming operation, at least 2 or 3 weeks in advance of the August 1, 2002, signature deadline.

Important: There is no authority to issue PFC payments after September 30, 2002.

Planting Flexibility Provisions

Any crop may be planted on contract acreage on a farm, except fruits, vegetables, or wild rice, without reducing program benefits. Any crop, including fruits, vegetables, or wild rice, may be planted on cropland in excess of the contract acreage without reducing program benefits.

Planting fruits, vegetables, or wild rice on contract acreage may result in an acre-for-acre reduction of contract payments. Additionally, planting fruits or vegetables on contract acreage may be considered a contract violation and result in contract termination or assessment of an additional payment reduction. Fruits, vegetables, or wild rice planted on contract acreage must be timely reported to the FSA County Office. Please contact your FSA County Office if you are uncertain as to the impact of planting fruits, vegetables, or wild rice on a farm.

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Program Information Fact Sheet (Continued)

**FY 2002 AMTA PROGRAM INFORMATION
(Program Information Fact Sheet Continued)****Other Eligibility Requirements**

Although a producer may have timely signed PFC, all other eligibility requirements must also be met for the producer to be eligible for payment. Any necessary supporting documentation, such as forms about payment limitation and payment eligibility provisions, highly erodible land conservation and wetland conservation provisions, and crop insurance requirements, must be filed by August 1, 2002. Any changes which may impact a previous eligibility determination must be timely reported and applicable documents revised. Any applicable eligibility determinations must be made before a producer is eligible for payment.

To be eligible for program benefits, you must obtain at least the catastrophic (CAT) level of crop insurance in all counties for each crop of economic significance in which you have an interest or sign a waiver that waives any eligibility for emergency crop loss assistance in connection with the crop or crops. Continuous crop insurance policies remain in effect unless you cancel the policy. Proof of insurance or a signed waiver must be on file in the FSA County Office for you to be eligible for payment. If you elect to not insure a crop, a written request to cancel a policy must be provided to your insurance agent on or before the crop's cancellation date. Signing a waiver does not negate your requirement to either pay the administrative fee or timely cancel the policy. Failure to pay the administrative fee on policies not timely canceled will result in a breach of contract, and you will be ineligible for all applicable USDA benefits.

Changes in Farming Operation

Failure to notify FSA of changes in your farming operation may adversely impact your eligibility for USDA benefits. Changes to your farming operation may include, but are not limited to, a change in the structure of your farming operation (e.g., changing from individuals to a partnership), changes in your rental arrangement (e.g., changing from a crop share to cash rent), or leasing a portion of the contract acreage to another producer. Failure to report changes to your operation by August 1, 2002, may result in ineligibility for PFC benefits.

Farm Reconstitutions

Producers may request, or COC may require, a division or combination of farms that are currently enrolled in PFC. These farm reconstitutions result in the termination of PFC on the "parent" farm, and the PFC acreage will be permanently reduced to zero unless at least 1 producer or owner on the resulting farm(s) enrolls into PFC within 30 calendar days from the date of notification that the reconstitution has been completed. It is the producer's responsibility to ensure that a reconstituted farm is timely enrolled in a PFC.

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Program Information Fact Sheet (Continued)

**FY 2002 AMTA PROGRAM INFORMATION
(Program Information Fact Sheet Continued)****Enrolling Released CAB Acreage After the
Conservation Reserve Program (CRP) Expiration**

Crop Acreage Bases (CAB's) that are released upon CRP expiration will be permanently reduced to zero, unless CAB is enrolled into a PFC on or before April 1 of FY following the final FY of the CRP contract. CAB's cannot be enrolled in a PFC after April 1, 2002. It is the producer's responsibility to ensure that CAB's released from CRP are timely enrolled in a PFC.

Additional Information

All producers signing the CCC-478 Appendix acknowledge receipt of the CCC-478 Appendix and agree to abide by the terms therein. Contact your local FSA office if you are unable to locate your copy of the CCC-478 Appendix. The Federal Regulations at 7 CFR Part 1412 provide additional information. Contact your local FSA office if you have any questions.
